



State of Arizona Accounting Manual

Topic 20 Current Assets
Section 20 Accounts Receivable and Billing

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INTRODUCTION

Agencies may use AFIS to do their billing and, to a certain degree, manage their accounts receivable. This presents a number of opportunities, but, for some agencies, may introduce some complications.

The problem begins with identifying what is or is not an accounts receivable.

A debt owed to the State arises through imposition or by way of a transaction.

Debts that arise through imposition include such things as taxes and penalties. No goods or services are exchanged. Rather, the obligation arises as a matter of law.

When the exchange of goods or services is involved, debts arise by way of transactions. The exchange of some goods or services is more apparent than are others. For example, when one of the state-owned museums sells some merchandise, it is apparent that an exchange of money for merchandise is taking place. Other exchanges are less apparent. When a board issues a license, it is, in effect, a sales transaction in which a licensee acquires the privilege to practice a certain profession in exchange for a fee.

Many agencies throughout the State issue "invoices," which may not actually establish obligations to pay on the part of the recipients. An example would be a licensing board. It may send out renewal notices in the form of invoices to its licensees. However, if a licensee does not pay the renewal fee, the board does not renew the license. Since no extension of the license is granted, nothing of value is rendered to the former licensee by the State. Since nothing of value of transferred, i.e., no goods or services have been provided, no debt exists. Since no debt exists, there is no receivable.

On the other hand, the activities of agencies may, either through imposition or transaction, generate actual debts, amounts that the State has a right and obligation to collect. These activities produce, if not paid when they arise, true accounts receivable.

This section of SAAM prescribes those situations under which agencies may, but are not obligated to, use AFIS for billing and recording receivables. It also sets forth minimal levels of internal controls related to receivables and billing.

If applicable, forms to support the policy and procedures outlined below have been published on the GAO Website at <http://www.gao.az.gov/>.

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POLICIES

1. Agencies may, but are not required to use AFIS to produce invoices that result in accounts receivable.
 - 1.1. To produce invoices using AFIS, the customer to whom the invoice will be sent must first be created.
 - 1.2. Only the GAO may create, modify or delete a customer in AFIS.
 - 1.3. Refer to the appropriate section of SAAM for instructions dealing with the creation, deletion or modification of a customer.
2. AFIS is not to be used for billing when the resulting invoices do not produce a debt.
3. The following internal controls over accounts receivable and billing shall be implemented and maintained:
 - 3.1. Responsibilities related to:
 - 3.1.1. Billing should be segregated from those related to collection and accounting.
 - 3.1.2. Maintaining detailed accounts records should be segregated from those for collection and general ledger posting.
 - 3.1.3. Collection and the deposit of funds should be segregated from those for maintaining accounting records.
 - 3.1.4. Entries in the cash receipts records should be segregated from those for general ledger entries.
 - 3.2. Access to AFIS and the processes in AFIS should be limited to those persons with a legitimate need and to those processes for which the need exists.
 - 3.3. Processes should be in place to assure that:
 - 3.3.1. Amounts due are billed on a timely basis.
 - 3.3.2. Receivables not settled when due are appropriately pursued.
 - 3.3.3. Any discounts, returns or allowances are properly authorized and that resulting reduction of a receivable does not constitute an extralegal, de facto forgiveness of debt.
 - 3.3.4. An aged accounts receivable report is regularly prepared and reviewed by someone without other responsibilities involving billing or receipts and that past due balances are appropriately investigated.

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3.3.5. Monthly reconciliations are performed between:

3.3.5.1. The detailed accounts receivable and general ledger control totals.

3.3.5.2. Cash receipts and postings to accounts receivable.

3.3.6. All credit balances in accounts receivable are investigated and resolved on a timely basis.

3.3.7. Disputed receivables are routed for resolution to agency personnel other than those involved in the preparation of invoices or statements, the receipt or deposit of cash, or the entry of charges or receipts into any accounting system.

3.3.8. No accounts where a debt to the State exists are written off. All delinquencies proposed for write-off are to be forwarded to the Office of the Attorney General, Bankruptcy and Collection Section.

3.3.9. Invoices are not sent to those entities that have filed for bankruptcy protection from creditors. When an agency is notified that a debtor has filed for bankruptcy, the agency should immediately discontinue collection attempts and forward all related documents to the Office of the Attorney General, Bankruptcy and Collection Section.